

Heritage Insurance Assumes \$59 million in Annualized Premium from Sunshine State Insurance Company

CLEARWATER, Fla., July 16, 2014 /PRNewswire/ -- Heritage Insurance Holdings, Inc. (NYSE: HRTG) announced that it assumed approximately \$59 million in annualized premium from Sunshine State Insurance Company ("SSIC"). Effective June 27, 2014, the policies were assumed by Heritage's wholly-owned subsidiary, Heritage Property & Casualty Insurance Company.

"We are extremely happy with the acquisition and there are a number of reasons to be excited about the transaction," said Bruce Lucas, Chairman & CEO. Lucas explained that "there are numerous benefits for Heritage, especially when it comes to reinsurance which is our single largest expense. Only 5% of the SSIC policies are located in our most concentrated regions in Tampa Bay and the Tri-County in southeast Florida. As a result, Heritage significantly improved its spread of risk, which will positively impact future reinsurance costs."

Heritage did not weaken its existing reinsurance standards. Lucas stated that "we maintain high levels of reinsurance that exceed regulatory requirements and we did not want to water down our reinsurance protection. As a result, we purchased an additional \$135 million in coverage from private reinsurers and the Florida Hurricane Catastrophe Fund, which increases our total reinsurance protection to \$990 million. Due to the reinsurance synergies from the transaction, we were able to realize advantageous pricing for this additional coverage." Rich Widdicombe, President, added that "our decision to add additional coverage is widely supported by Demotech, Inc. and the Florida Office of Insurance Regulation. Both parties deserve a lot of credit and were instrumental in providing a solution for consumers in this time of need."

The move by Heritage will improve its financial metrics. Widdicombe noted that "the best way to improve profitability is to spread risk throughout Florida. By assuming a large book of business in areas of low concentration, many of our financial metrics will improve. That is especially the case with SSIC. For example, although our in-force premium jumped 23%, our Probable Maximum Loss only increased about 11%. This is a very impressive result and in terms of reinsurance synergies it is easily the best acquisition in Heritage's history."

The SSIC acquisition will also increase Heritage's agency network. "The hidden gem in the transaction is the addition of numerous high-quality agent partners," said Mel Russell, Chief Underwriting Officer. Russell explained that "We added approximately 150 agencies to the Heritage agency group and they rank among the best producing agencies in Florida. The addition of these agencies will help to bolster our voluntary production and we are thrilled to have their full support."

About Heritage Property & Casualty Insurance Company

Based in Clearwater, Florida, Heritage Insurance (NYSE: HRTG) offers home, condominium, rental, and commercial residential insurance through a large network of experienced independent agents. Heritage Insurance provides homeowners with the highest quality property insurance and outstanding customer service. For more information, visit Heritage Insurance online at www.heritagepci.com or call (855) 323-8040.

Forward-Looking Statements

This release contains statements relating to future results. These statements are forward-looking statements under the federal securities laws. We can give no assurance that any future results discussed in these statements will be achieved. Any forward-looking statements represent our views only as of today and should not be relied upon as representing our views as of any subsequent date. These statements are subject to a variety of risks and uncertainties that could cause our actual results to differ materially from the statements contained in this release. For a discussion of important factors that could affect our actual results, please refer to our SEC filings, including the "Risk Factors" section of the prospectus we recently filed with the SEC.

Investor Contact:

investors@heritagepci.com

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